

AU GRES, SIMS, WHITNEY FIRE
AND RESCUE AUTHORITY
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Au Gres, Sims, Whitney Fire & Rescue Auth	County Arenac
Fiscal Year End March 31, 2008	Opinion Date May 2, 2008	Date Audit Report Submitted to State May 8, 2008	

We affirm that:

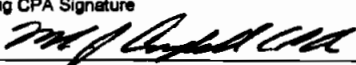
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State Zip MI 48707
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 2, 2008

To the Fire and Rescue Board
Au Gres, Sims, Whitney Fire and Rescue Authority
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Au Gres, Sims, Whitney Fire and Rescue Authority, Arenac County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Au Gres, Sims, Whitney Fire and Rescue Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Au Gres, Sims, Whitney Fire and Rescue Authority, Arenac County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Au Gres, Sims, Whitney Fire and Rescue Authority covers the Authority's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$772,141.61 for governmental activities. Total revenues were \$290,552.42. The net increase in net assets of \$100,631.08 included a \$91,239.85 depreciation deduction.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

CONDENSED FINANCIAL INFORMATION
For the Year Ended March 31, 2008

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Current Assets	306 751	444 255
Capital Assets	679 810	602 268
Non-current Assets	<u>29 401</u>	<u>23 871</u>
Total Assets	<u>1 015 962</u>	<u>1 070 394</u>
Current Liabilities	29 401	23 871
Non-current Liabilities	<u>315 050</u>	<u>274 381</u>
Total Liabilities	<u>344 451</u>	<u>298 252</u>
Net Assets:		
Invested in Capital Assets	364 761	327 887
Unrestricted	<u>306 750</u>	<u>444 255</u>
Total Net Assets	<u>671 511</u>	<u>772 142</u>
	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Program Revenues:		
Fees and charges for services	319 077	260 855
Operating Grants and Contributions	92 236	-
General Revenues:		
Interest	9 383	15 145
Miscellaneous	<u>12 780</u>	<u>14 552</u>
Total Revenues	<u>433 476</u>	<u>290 552</u>
Program Expenses:		
Public Safety	223 003	174 673
Other	<u>19 312</u>	<u>15 248</u>
Total Expenses	<u>242 315</u>	<u>189 921</u>
Increase in Net Assets Before Transfers	191 161	100 631
Transfers	<u>117 000</u>	<u>-</u>
Increase in Net Assets	308 161	100 631
Net Assets, April 1	<u>363 350</u>	<u>671 511</u>
Net Assets, March 31	<u>671 511</u>	<u>772 142</u>

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

There are no fund financial statements as the Authority has only one fund.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

During the year, the authority's financial position remained stable.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The Authority has only one fund. Please refer to the financial highlights section of this report for summary information or refer to the financial statement for more detailed information about the financial position and results of operations of our authority.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority invested \$13,697.25 in capital assets in the current fiscal year.

The Authority paid \$40,668.76 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Future funding of the Authority is dependent on the financial support from and the financial stability of Au Gres, Sims, and Whitney Townships and the City of Au Gres.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Authority.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>444 255 27</u>
Total Current Assets	<u>444 255 27</u>
NON-CURRENT ASSETS:	
Capital Assets	1 274 124 61
Less: Accumulated Depreciation	<u>(671 857 09)</u>
Net Capital Assets	602 267 52
Contract receivable	<u>23 870 80</u>
Total Non-current Assets	<u>626 138 32</u>
TOTAL ASSETS	<u><u>1 070 393 59</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>23 870 80</u>
Total Current Liabilities	<u>23 870 80</u>
NON-CURRENT LIABILITIES:	
Note payable	<u>274 381 18</u>
Total Non-current Liabilities	<u>274 381 18</u>
Total Liabilities	<u>298 251 98</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	327 886 34
Unrestricted	<u>444 255 27</u>
Total Net Assets	<u>772 141 61</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 070 393 59</u></u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	174 673 26	260 855 41	86 182 15
Interest on long-term debt	<u>15 248 08</u>	<u>-</u>	<u>(15 248 08)</u>
Total Governmental Activities	<u>189 921 34</u>	<u>260 855 41</u>	<u>70 934 07</u>
General Revenues:			
Interest			15 145 45
Miscellaneous			<u>14 551 56</u>
Total General Revenues			<u>29 697 01</u>
Change in net assets			100 631 08
Net assets, beginning of year			<u>671 510 53</u>
Net Assets, End of Year			<u>772 141 61</u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	444 255 27
Contract receivable	<u>23 870 80</u>
Total Assets	<u>468 126 07</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Deferred revenue	<u>23 870 80</u>
Total liabilities	<u>23 870 80</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>444 255 27</u>
Total fund equity	<u>444 255 27</u>
Total Liabilities and Fund Equity	<u>468 126 07</u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	444 255 27
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 274 124 61
Accumulated depreciation	(671 857 09)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Note payable	<u>(274 381 18)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>772 141 61</u></u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Township of Au Gres	40 320 92
Township of Sims	72 667 78
Township of Whitney	123 820 76
City of Au Gres	20 145 95
Charges for services	3 900 00
Interest	15 145 45
Miscellaneous	<u>14 551 56</u>
Total revenues	<u>290 552 42</u>
Expenditures:	
Public safety:	
Fire protection:	
Wages and payroll taxes	26 347 34
Supplies	4 373 11
Gas and oil	2 843 19
Telephone	963 22
Insurance	23 727 00
Utilities	7 144 99
Repairs and maintenance	8 517 70
Professional services	1 805 00
Miscellaneous	7 711 86
Capital outlay	13 697 25
Debt service	<u>55 916 84</u>
Total expenditures	<u>153 047 50</u>
Excess of revenues over expenditures	137 504 92
Fund balance, April 1	<u>306 750 35</u>
Fund Balance, March 31	<u><u>444 255 27</u></u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 137 504 92

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(91 239 85)
Capital Outlay	13 697 25

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>40 668 76</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>100 631 08</u>
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The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Au Gres, Sims, Whitney Fire and Rescue Authority, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Authority contain all the Authority funds that are controlled by or dependent on the Authority's executive or legislative branches.

The reporting entity is the Au Gres, Sims, Whitney Fire and Rescue Authority. The Authority is governed by an elected Fire and Rescue Board. As required by generally accepted accounting principles, these financial statements present the Authority as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Authority's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Authority reports only one fund as follows:

The General Fund is used to record the operations of the Authority which pertain to maintaining and operating the Authority. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Authority. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Authority does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 years
Vehicles and equipment	3-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Authority provides no post-employment benefits to past employees.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire and Rescue Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire and Rescue Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire and Rescue Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire and Rescue Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

The Authority has designated two financial institutions for the deposit of Authority funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Authority's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>444 255 27</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	147 663 42
Uninsured and Uncollateralized	<u>296 591 85</u>
Total Deposits	<u>444 255 27</u>

The Authority did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Authority's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Buildings and improvements	350 000 00	-	-	350 000 00
Vehicles and equipment	910 427 36	13 697 25	-	924 124 61
Total	1 260 427 36	13 697 25	-	1 274 124 61
Accumulated Depreciation	(580 617 24)	(91 239 85)	-	(671 857 09)
Net Capital Assets	679 810 12	(77 542 60)	-	602 267 52

Note 5 – Changes in Long-Term Debt

The following is a summary of the changes in long-term debt.

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Note Payable	53 912 15	-	16 780 56	37 131 59
Note Payable – Pumper	261 137 79	-	23 888 20	237 249 59
Total	315 049 94	-	40 668 76	274 381 18

Note 6 – Note Payable

During the fiscal year ended March 31, 2000, the Authority purchased a fire truck for \$205,174.00, which was delivered in the fiscal year ending March 31, 2001. The fire truck was financed in part by a seller financing loan through the Huron Community Bank in the amount of \$150,000.00. The loan is to be repaid in ten equal annual installments of \$19,520.14, including interest at 5.109%. As of March 31, 2008, the principal balance outstanding on the loan was \$37,131.59.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 7 – Note Payable - Pumper

During the fiscal year ended March 31, 2008, the Authority purchased a pumper for \$332,077.00. The fire truck was financed through Osh kosh Capital. The loan is to be repaid in annual installments of \$36,396.70. As of March 31, 2008, the principal balance outstanding on the loan was \$237,249.59.

Note 8 – Deferred Compensation Plan

The Authority does not have a deferred compensation plan.

Note 9 – Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Pension Plan

The Authority does not have a pension plan.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Township of Au Gres	37 500 00	38 475 37	40 320 92	1 845 55
Township of Sims	67 000 00	69 382 92	72 667 78	3 284 86
Township of Whitney	61 000 00	61 041 60	123 820 76	62 779 16
City of Au Gres	22 000 00	20 726 44	20 145 95	(580 49)
Charges for services	3 900 00	3 900 00	3 900 00	-
Interest	1 000 00	1 000 00	15 145 45	14 145 45
Miscellaneous	-	-	14 551 56	14 551 56
Total revenues	<u>192 400 00</u>	<u>194 526 33</u>	<u>290 552 42</u>	<u>96 026 09</u>
Expenditures:				
Public safety:				
Fire protection	88 100 00	91 390 00	83 433 41	(7 956 59)
Capital outlay	47 286 00	46 122 33	13 697 25	(32 425 08)
Debt service	<u>57 014 00</u>	<u>57 014 00</u>	<u>55 916 84</u>	<u>(1 097 16)</u>
Total expenditures	<u>192 400 00</u>	<u>194 526 33</u>	<u>153 047 50</u>	<u>(41 478 83)</u>
Excess (deficiency) of revenues over expenditures	-	-	137 504 92	137 504 92
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>306 750 35</u>	<u>306 750 35</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>444 255 27</u>	<u>444 255 27</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 2, 2008

To the Fire and Rescue Board
Au Gres, Sims, Whitney Fire and Rescue Authority
Arenac County, Michigan

We have audited the financial statements of the Au Gres, Sims, Whitney Fire and Rescue Authority for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Au Gres, Sims, Whitney Fire and Rescue Authority in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire and Rescue Board
Au Gres, Sims, Whitney Fire and Rescue Authority
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Fire Authority's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Fire Authority cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Fire Authority Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Authority's financial statements and this communication of these matters does not affect our report on the Authority's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants